

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroomPublic Contact: 800.829.1040

Form to Claim Payroll Tax Exemption for Hiring New Workers Now Available

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WASHINGTON —The Internal Revenue Service has posted on its website the newly-revised payroll tax form that most eligible employers can use to claim the special payroll tax exemption that applies to many new workers hired during 2010.

Designed to encourage employers to hire and retain new workers, the payroll tax exemption and the related new hire retention credit were created by the Hiring Incentives to Restore Employment (HIRE) Act signed by President Obama on March 18.

Employers who hire unemployed workers this year (after Feb. 3, 2010, and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from the employer's share of Social Security tax on wages paid to these workers after March 18. This reduction will have no effect on the employee's future Social Security benefits. The employee's 6.2 percent share of Social Security tax and the employer and employee's shares of Medicare tax still apply to all wages.

In addition, for each qualified employee retained for at least a year whose wages did not significantly decrease in the second half of the year, businesses may claim a new hire retention credit of up to \$1,000 per worker on their income tax return. Further details on both the tax credit and the payroll tax exemption can be found in a recently-expanded list of answers to [frequently-asked questions](#) about the new law now posted on IRS.gov.

How to Claim the Payroll Tax Exemption

[Form 941](#), Employer's QUARTERLY Federal Tax Return, revised for use beginning with the second calendar quarter of 2010, will be filed by most employers claiming the payroll tax exemption for wages paid to qualified employees. The HIRE Act does not allow employers to claim the exemption for wages paid in the first quarter but provides for a credit in the second quarter. The [instructions](#) for the new Form 941 explain how this credit for wages paid from March 19 through March 31 can be claimed on the second quarter return. The form and instructions are now available for download on IRS.gov.

The HIRE Act requires that employers get a signed statement from each eligible new hire, certifying under penalties of perjury, that he or she was not employed for more than 40 hours during the 60 days before beginning employment with that employer.

Employers can use new [Form W-11](#), Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, released last month, to meet this requirement. Though employers need this certification to claim both the payroll tax exemption and the new hire retention credit, they do not file these statements with the IRS. Instead, they must retain them along with other payroll and income tax records.

These two tax benefits are especially helpful to employers who are adding positions to their payrolls. New hires filling existing positions also qualify as long as they are replacing workers who left voluntarily or who were terminated for cause and otherwise are qualified employees. Family members and other relatives do not qualify for either of these tax benefits.

Businesses, agricultural employers, tax-exempt organizations, tribal governments and public colleges and universities all qualify to claim the payroll tax exemption for eligible newly-hired employees. Household employers and federal, state and local government employers, other than public colleges and universities, are not eligible.